

Message Text

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EO 11652: GDS

TAGS: ELAB, KS,

SUBJECT: OFFICE OF LABOR AFFAIRS ISSUES ARBITRATION

REGULATING FAIRCHILD LAY-OFFS

REF: SEOUL 6383; SEOUL 6537

1. DESPITE INDICATIONS OF GROWING OFFICIAL IMPATIENCE WITH MANNER IN WHICH FAIRCHILD-SEMICONDUCTOR HAD REDUCED EMPLOYMENT, WORK TIME AND WAGE BENEFITS FOUR TIMES SINCE MID-1974 (SEE REFTELS), AND INITIAL MANAGEMENT FEARS OF A PUNITIVE ARBITRATION DECISION, OFFICE OF LABOR AFFAIRS (OLA) ARBITRATION AWARD OF JANUARY 23 REGULATING FURTHER CONTRACTIONS WAS FREELY ACCEPTED AS EQUITABLE BY BOTH LABOR AND MANAGEMENT.

2. SIX POINT ARBITRATION AWARD, WHICH LIKELY TO SERVE AS MODEL FOR OTHER FOREIGN ELECTRONICS COMPANIES PLANNING REDUCTIONS OF EMPLOYMENT, WORK TIME, AND WAGE BENEFITS AS RESULT OF CURRENT DOWNWARD TREND FOR INDUSTRY: ARE

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A. ABOUT 500 WORKERS (MOSTLY MARRIED WOMEN) ARE

EXPECTED TO RESIGN VOLUNTARILY IN RETURN FOR EXTRA THREE MONTHS SEVERANCE PREMIUM.

B. SIX MONTHS LEAVE WITH 50 PERCENT OF BASE PAY PLUS ONE FULL MONTH BONUS FOR 1021 SURPLUS EMPLOYEES.

C. REMAINING 3,081 WORKERS IN THE TWO FAIRCHILD-KOREA PLANTS ARE TO BE PLACED ON FIVE DAY WEEK AT 6.5 DAYS PAY (NORMAL PAY IS FOR SEVEN DAYS WITH SIX DAYS WORKED).

D. BONUSES ARE TO BE CUT FROM 400 TO 300 PERCENT, WITH JUNE BONUS TO BE ELIMINATED.

E. RENEWAL OF COLLECTIVE AGREEMENT IS TO BE POSTPONED FOR SIX MONTHS, ALTHOUGH THIS DECISION CAN BE REVIEWED BY OLA AFTER THREE MONTHS.

F. THOSE ON HALF PAY WILL HAVE PRIORITY IN REHIRING IF BUSINESS IMPROVES.

3. FAIRCHILD MANAGEMENT TOLD EMBASSY THAT COMPANY SOUGHT TO MINIMIZE EMPLOYMENT AND WAGE ADJUSTMENTS AS LONG AS POSSIBLE, BUT THAT DROP OF ORDERS IN JANUARY TO ABOUT 50 PERCENT OF YEAR EARLIER REQUIRED SUCH DRASTIC CUT-BACKS. COMPANY NOW FEELS THAT THANKS TO NEW SETTLEMENT IT CAN REDUCE ITS LABOR COSTS AND IMPROVE ITS PRODUCTIVITY TO LEVEL WHERE IT CAN REMAIN COMPETITIVE WITH OTHER FAIRCHILD PLANTS IN FAR EAST. CARRYING SUBSTANTIAL NUMBER OF EXCESS WORKERS REPORTEDLY HAD BEEN COSTLY TO COMPANY TO POINT WHERE ITS LABOR COSTS EXCEEDED THOSE OF ELECTRONICS PLANTS IN HONG KONG AND TAIWAN, DESPITE RECENT WON DEVALUATION AND FACT THAT BASIC WAGES THERE ARE HIGHER THAN IN KOREA.

4. TWO OTHER AMERICAN ELECTRONICS COMPANIES, SIGNETICS AND MOTOROLA, ARE ALSO CUTTING BACK, WITH SIGNETICS HAVING GONE ON FIVE DAY WEEK, AND PLANNING TO CUT BACK TO FOUR DAYS IN NEAR FUTURE, WHILE MOTOROLA IS PLANNING TO CUT ITS WORK WEEK AND TO REDUCE LABOR FORCE BY 1,000 OR TWENTY PERCENT DURING NEXT FEW MONTHS. HOWEVER, LIMITED OFFICIAL USE

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UNLIKE FAIRCHILD, THESE TWO COMPANIES HAVE BEEN ABLE TO MANAGE THEIR ADJUSTMENT IN ONE OR TWO STEPS THUS AVOIDING PROBLEMS OF LABOR PROTESTS WHICH HAVE PERIODICALLY BESET FAIRCHILD ADJUSTMENTS SINCE JUNE 1974. CONTROL DATA IS THE ONLY U.S. OWNED ELECTRONICS COMPANY WHICH IS MAINTAINING EMPLOYMENT AND WHICH HAS EVEN INCREASED WAGES BY 30 PERCENT AS OF JANUARY 1. HOWEVER, WITH LESS THAN 1,000 EMPLOYEES IT IS THE SMALLEST OF THE FOUR MAJOR

U.S. ELECTRONICS COMPANIES IN KOREA.
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